

State of Rhode Island and Providence Plantations
RHODE ISLAND REFUNDING BOND AUTHORITY

Minutes of Meeting

July 30, 2008

A Rhode Island Refunding Bond Authority (“RBA”) meeting was held in Room 135, State House, Providence, Rhode Island on Wednesday, July 30, 2008 at 3:00 p.m. There being a quorum present the Treasurer called the meeting to order at 3:15 p.m.

Membership Roll Call. Present were: Mr. Peder A. Schaefer (Chief Budget Analyst and Designee of Ms. Beverly Najarian, Director of Administration); Ms. Rosemary Booth Gallogly (Chief Budget Officer); Mr. Robert Cusack; and General Treasurer Frank T. Caprio. Also present were: Mr. Mark Dingley, Chief Legal Counsel and Chief of Staff; Mr. Michael Mitchell, Legal Counsel for the Department of Administration; and other members of the Treasurer’s Staff. Mr. Thomas Barry was not present.

Minutes. Ms. Gallogly moved, Mr. Schaefer seconded and the following motion was passed. The following members voted in favor: Mr. Cusack, Ms. Gallogly, Mr. Schaefer, and Treasurer Caprio.

VOTED: To approve the Minutes of the May 7, 2007 Meeting.

Transfer from RBA Account to General Fund. Mr. Dingley stated there was a \$360,000.00 balance in the RBA Account. Due to a recently enacted general law, and in an effort to balance the budget, the majority of these funds have been transferred to the State General Fund.

Approval of Audited Financial Report. The Treasurer entertained a motion to approve the Audited Financial Report of the RBA, prepared by Ernest A. Almonte, Auditor General, and his staff, for the fiscal year ended June 30, 2007 in accordance with Section 35-8.1-10 of the General Laws.

Prior to the motion being made, Mr. Schaefer questioned a footnote on page 14 of the Audit that stated “the Authority has designated \$100,000.00 of net assets to cover future contingencies”. He remarked that it does not appear in the financial statements. There was a discussion regarding Mr. Schaefer’s comment. Chief of Staff Dingley commented that a motion should be made noting that the RBA no longer has any designated funds to cover future contingencies, other than its’ cash balance. The Treasurer entertained the motion. Mr. Cusack moved, Mr. Schaefer seconded and the following motion was passed. The following members voted in favor: Mr. Cusack, Ms. Gallogly, Mr. Schaefer, and Treasurer Caprio.

VOTED: To approve a motion noting that the RBA no longer has any designated funds to cover contingencies, other than its' cash balance.

The Treasurer entertained a motion to approve the Audited Financial Report. Ms. Gallogly moved, Mr. Cusack seconded and the following motion was passed. The following members voted in favor: Mr. Cusack, Ms. Gallogly, Mr. Schaefer, and Treasurer Caprio.

VOTED: To approve the Audited Financial Report of the RBA, prepared by Ernest A. Almonte, Auditor General and his staff, for the fiscal year ended June 30, 2007 in accordance with Section 35-8.1-10 of the General Laws.

Assignment of VMA Foundation Lease to Convention Center Authority. Mr. Mitchell explained that the building, located at 5 Avenue of the Arts, was originally owned by the Public Building Authority. The RBA, as successor in interest, is now the owner of the property. Debt service payments on this bond issue will end in 2010. The building is subject to a lease between the Department of

Administration (“DOA”), the Public Building Authority, and the RBA going back to 1992. It is a ten year lease with an option to renew for an additional 10 years. The lease, which is with the Veterans Memorial Auditorium Foundation (VMAF), will run through 2012. The VMAF is a not- for- profit entity that manages the building. The lease was amended in 2004 to provide that the DOA would continue to provide operating expenses for the building. The title to the property will be turned over to the VMAF in 2009, or when the bonds are paid off in 2010. There is a provision stating that the VMAF will take over operational costs in 2008. The VMAF is no longer able to operate the Veterans Memorial Auditorium in such a way as to maximize the benefit to the citizens of the State of Rhode Island and surrounding areas. Therefore, they have asked to be released from the lease agreement. This has created some problems, as there are two condominium units within the property, and the lease does not provide for an assignment of these units. The Convention Center Authority has agreed to occupy and operate the facility subject to the ability to get financing to purchase the building in the future. The Second Amendment to the VMAF Lease will allow assignment of the lease to a third party, with the intentions of assigning the lease to the Convention Center Authority. This amendment needs the approval of the RBA. The second item within the amendment states that rather than transferring the property to the VMAF as a gratis transfer, the Convention Center Authority will purchase the property at fair market value when the bonds are paid off. The Amendment has been approved by the State’s Property Committee and the DOA, subject to

approval by the RBA. The second document is an Assignment Agreement allowing the assignment of the lease from the VMFA to the Convention Center Authority. The third document is a Consent Acknowledgment Agreement between the VMAF, the Convention Center Authority, the Urban Heritage Providence Hotel, LLC and Prudential Insurance Company of America (lender). It states that all parties have given consent to the assignment.

Chief of Staff Dingley explained that there are two condominiums. Condominium #2 is the entire building, with the exception of the basement.

Condominium #1 is the basement, which The Temple Hotel uses as a function room. When the bonds are paid off, The Temple Hotel will purchase Condominium #1 and the Convention Center Authority will acquire Condominium # 2. He noted that earlier today, the Attorney who represents the lender to The Temple Hotel, asked for some very minor word changes to the Consent Acknowledgement Agreement. Mr. Mitchell stated that these changes have been approved by all parties involved.

Ms. Gallogly asked Mr. Mitchell to explain the reason for the new Section Twelve of the Lease entitled “Assignment” on the Second Amendment to VMAF Lease Form. Mr. Mitchell replied that the assignment is what transfers the lease from the VMAF to the Convention Center Authority, who then becomes the Lessee. Ms. Gallogly observed that there are bonds still outstanding on the property. She questioned how this will affect the proceeds of the sale. Mr. Mitchell replied that if the bonds are not paid at the time of sale, the proceeds will be used to pay the bonds and remaining proceeds will go to the State.

Treasurer Caprio observed that item #5 on the RBA Meeting Notice states the Civic Center Authority as the assignee. Chief of Staff Dingley noted that this was an error, and the correct assignee is the Convention Center Authority.

Mr. Schaefer asked if the Convention Center Authority has a financial plan to acquire the property. Mr. Mitchell responded that they are going to the General Assembly to get the authority to issue bonds. He explained that the lease was changed to allow assignment in the event the Convention Center Authority does not acquire financing.

The Treasurer entertained a motion to approve the Second Amendment to the VMAF Lease, Assignment Agreement between the VMAF and the Rhode Island Convention Center, and the Consent and Acknowledgement Agreement; all as presented to the Authority

today. Ms. Gallogly moved, Mr. Cusack seconded and the following motion was passed. The following members voted in favor: Mr. Cusack, Ms. Gallogly, Mr. Schaefer, and Treasurer Caprio.

VOTED: To approve the Second Amendment to the VMAF Lease, the Assignment Agreement between the VMAF and the Rhode Island Convention Center, and the Consent and Acknowledgement Agreement, as presented to the RBA, with no material changes.

Treasurer Caprio opened the floor for new business. Chief of Staff Dingley mentioned a matter regarding a piece of property referred to as the Stedman Property, which may require a meeting of the RBA in October. The property was formerly owned by the Public Buildings Authority. The RBA currently holds the title to the property. Ms. Gallogly interjected that when the bonds are paid off on October 1, 2008, the title will transfer back to the State for \$1.00. Mr. Mitchell added

that the property is under Purchase and Sales Agreement with a

Conservation Fund out of Virginia, with the understanding that the title will transfer to The Department of the Interior sometime in the future. Mr. Mitchell stated he was not aware that the RBA held title to the property and expressed concern regarding the current closing date. Ms. Gallogly noted that if the bonds are paid off on October 1, 2008, the deed will be ready for transfer on October 2, 2008.

There being no other new business, the Treasurer entertained a motion to adjourn. Mr. Cusack moved, Mr. Schaefer seconded and the following motion was passed. The following members voted in favor: Mr. Cusack, Ms. Gallogly, Mr. Schaefer, and Treasurer Caprio.

VOTED: To adjourn the meeting.

There being no further business, the meeting was adjourned at 3:39 p.m.

Respectfully submitted,

Frank T. Caprio

General Treasurer